

Audit Report

**Department of Human Services
Child Support Administration**

May 2019



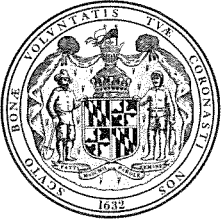
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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
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Gregory A. Hook, CPA
Legislative Auditor

May 15, 2019

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate Shelly L. Hettleman, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Child Support Administration (CSA) for the period beginning May 5, 2014 and ending July 17, 2017. CSA is responsible for operating the Statewide child support program, which includes the establishment of paternity and child support orders, and the collection and distribution of child support payments. For the federal fiscal year ended September 30, 2017, child support collections totaled \$566 million and unpaid child support due from obligors (non-custodial parents) totaled \$1.3 billion at that date.

Our audit disclosed that controls were inadequate to ensure that delinquent obligors' driver's licenses were appropriately reinstated by the Motor Vehicle Administration under the driver's license suspension program after obligors made payments to CSA to remove the delinquency. The audit also disclosed issues with unnecessary CSA employee access to the Child Support Enforcement System and the need to ensure that the vendor maintaining the State's new hire registry complied with the contract's system security requirements and appropriately safeguarded personally identifiable information on Maryland workers.

In addition, CSA did not monitor an interagency agreement with a State university to ensure that the university complied with contract terms and provided the required deliverables and services. CSA also did not appropriately oversee the development of an application by the university under this agreement. Total payments from inception through October 3, 2018 were \$5.7 million. Furthermore, the audit disclosed inadequate internal controls over child support account adjustments and CSA's manual checking account.

Finally, our audit included a review to determine the status of the six findings contained in our preceding audit report. We determined that CSA satisfactorily addressed these findings.

DHS' response to this audit, on behalf of CSA, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while CSA agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor comments" within DHS' response to explain our position. Finally, there are other aspects of DHS' response which will require further clarification, but we do not anticipate that these will require the Committee's attention to resolve.

We wish to acknowledge DHS' and CSA's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Name Change and Agency Responsibilities

Chapter 205, Laws of Maryland 2017, effective July 1, 2017, changed the name of the Department of Human Resources to the Department of Human Services (DHS), and changed the name of the Child Support Enforcement Administration, a unit within DHS, to the Child Support Administration (CSA).

CSA is responsible for operating the Statewide child support program. CSA provides services to both the noncustodial and custodial parents, which include the establishment of paternity and child support orders, the collection of child support payments, and the distribution of such funds.

Local child support offices, under CSA's oversight, and other state and local government agencies (such as State's Attorneys' Offices) perform various child support services. Furthermore, a private vendor, under contract to CSA, provides child support functions in Baltimore City, which handles approximately 27 percent of the State's child support cases. In addition, CSA uses the services of two additional private vendors—one vendor maintains the new hire registry, which is used to identify noncustodial parent wages on a Statewide basis, and the other vendor centrally receives, processes, and distributes child support payments. CSA's Child Support Enforcement System (CSES) is used to record child support case information, including enforcement efforts, and to account for the collection and subsequent distribution of support payments. CSES also provides financial and statistical data for management oversight purposes, and has certain automated enforcement features to aid in the collection function.

According to CSA's records, during federal fiscal year 2017 (October 1, 2016 through September 30, 2017), Statewide child support collections totaled approximately \$566 million, representing an increase of approximately one percent compared to the year-ended September 2014. As of September 2017, the CSA open caseload totaled approximately 196,867, and the Statewide unpaid child support due from obligors totaled approximately \$1.3 billion, representing virtually no change from the September 2014 unpaid balance. According to the State's records, CSA's operating expenditures for State fiscal year 2017 totaled approximately \$44 million. This excludes local child support office expenditures, which are included in a separate DHS budgetary unit.

Enforcement Action Overview

Child support services are generally performed by local offices throughout the State, including the Baltimore City office where a vendor provides the services, with oversight and administration provided by CSA central office personnel. CSA uses several enforcement tools to pursue court-ordered child support when an obligor does not pay fully or on time. These tools include withholding wages, intercepting tax refunds, and seizing funds in personal bank accounts. The primary source to facilitate the identification of wages for withholding is the State's new hire registry which is an automated system for collecting, storing, and extracting employer-reported information on new hires, mandated by federal law. The system is maintained by a vendor under contract to DHS. Other enforcement tools provided for in State law include driver's license and occupational license suspensions. For example, State law permits the suspension of driver's licenses by the Motor Vehicle Administration (MVA) when an obligor is at least 60 days delinquent in child support payments.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated June 26, 2015. We determined that CSA satisfactorily addressed these findings.

Findings and Recommendations

Driver's License Suspension Program

Finding 1

Controls over driver's license reinstatements were inadequate to ensure their propriety.

Analysis

Child Support Administration's (CSA) controls over driver's license reinstatements processed under CSA's driver's license suspension program were inadequate. State law provides that CSA may refer a delinquent obligor to the Motor Vehicle Administration (MVA) requesting suspension of his or her driver's license when the obligor is at least 60 days out of compliance with the most recent child support court order. Once the obligor is back in compliance, local office caseworkers notify MVA via a faxed letter to reinstate the driver's license. Our audit disclosed that these reinstatements were often not subject to documented CSA supervisory review and approval. According to CSA records, 3,476 driver's license reinstatements were performed in the month of December 2017.

CSA policy requires supervisory review and approval of driver's license reinstatements processed by local office caseworkers; however, an automated monthly report of driver's license reinstatements processed in the Child Support Enforcement System (CSES) was not generated by local offices to facilitate this supervisory review process. Without such a source document of all recorded reinstatements, it would not be possible to ensure that all driver's license reinstatements were subject to the required supervisory review. In this regard, we noted that 774 CSES users statewide (caseworkers and supervisors) had access to record a reinstatement in CSES, which will result in a reinstatement notification to be sent to MVA.

Our test of 15 reinstated driver's licenses from 10 local offices (selected from CSES) disclosed that, in 9 instances, there was no documented supervisory review and approval of the reinstatement. In addition, we reviewed the 15 cases to determine if there was sufficient documentation to justify the driver's license reinstatement. We noted that one reinstatement that had been subject to supervisory review and approval lacked adequate documentation to justify the reinstatement.

Recommendation 1

We recommend that CSA ensure that local offices take appropriate action, such as by requiring the use of the monthly reinstatement report, to ensure,

at least on a test basis, that driver's license reinstatements are proper and have been subject to supervisory review and approval as required.

Child Support Account Adjustments

Finding 2

CSA could not always provide evidence of supervisory reviews of child support account adjustments by independent personnel.

Analysis

CSA could not provide documentation that required monthly independent supervisory reviews of child support account adjustments (such as, adjustments to the balance of child support owed) were performed at each local office. In addition, when documentation was available of supervisory reviews at a local office, we noted that the reviews were not always performed by an independent employee. According to CSA policy, a supervisor at each local child support office must use monthly adjustment reports from CSES to perform a documented, test basis review of account adjustments processed during the month.

We requested documentation in December 2017 of the supervisory reviews of account adjustments for all 24 local child support offices for the month of June 2017. CSA advised us that all local offices had performed these reviews; however, CSA could not provide adequate documentation of a review of account adjustments for 7 local offices, including the 3 largest local offices. According to CSA records, during June 2017, approximately \$15 million in account adjustments were processed, of which \$7.4 million in adjustments were processed at the aforementioned 7 offices where there was no adequate documentation of account adjustment reviews.

Furthermore, at 4 of the 17 offices where supervisory reviews were documented, we found that the employees who performed the supervisory reviews also had the ability to process adjustments, and consequently would not be independent. We then performed a test at these 4 offices during June 2017 and found that supervisory employees initially processed 19 account adjustments totaling \$8,000. As a result, erroneous or fraudulent transactions could be processed without detection.

Recommendation 2

We recommend that CSA ensure that account adjustments are subject to a documented monthly review by an independent supervisor on a test basis, as required.

Child Support Enforcement System Access

Finding 3

CSA did not ensure that central and local office personnel conducted periodic reviews of employee access to CSES, as required, and we noted that critical access had been unnecessarily granted to certain employees.

Analysis

CSA did not ensure that employee access to CSES was subject to a periodic review for propriety as required, and we noted a number of employees with critical system access that was not required for their job duties. CSES is used to record child support case information, including enforcement efforts, and to account for the collection and subsequent distribution of support payments.

CSA could not document that required periodic access reviews had been performed for central office personnel and for personnel at all 24 local offices during the audit period. In addition, during our audit, we identified 15 CSA employees with critical system access as of May 10, 2017, which was unnecessary for their job duties. Specifically, 4 employees at 3 local offices had user access which allowed them to enter or edit customer direct deposit information in CSES, and 12 employees at 11 local offices (including one employee in the 4 noted above) had user access to process manual distributions in CSES, which allowed these employees to manually record payments to a customer account. These employees did not need such access since these functions were the responsibility of CSA's State Disbursement Unit vendor, which centrally receives and processes child support payments.

As of May 2017, there were 980 CSA employees with various CSES edit accesses. According to the DHS *Information Systems Security Handbook*, at least annually, DHS supervisors should review their employees' current job duties and compare them to the employees' current security access level to determine if any modifications are needed. According to CSA records, during federal fiscal year 2017 (October 1, 2016 through September 30, 2017), Statewide child support collections totaling approximately \$566 million were recorded in CSES.

Recommendation 3

We recommend that CSA

- a. comply with the aforementioned DHS *Handbook* and ensure that each employee's access to CSES is reviewed annually and that the reviews are documented; and**
- b. remove any unnecessary CSES access, including those noted above.**

New Hire Registry Contract Security Requirements

Finding 4

CSA did not ensure that the vendor responsible for administering the State's new hire registry complied with the contract's system security requirements and safeguarded sensitive personally identifiable information on Maryland workers.

Analysis

CSA did not ensure that the vendor that operates and maintains the State's new hire registry complied with the contract's system security requirements and that sensitive personally identifiable (PII) information on Maryland workers was appropriately safeguarded. The registry is an automated system for collecting, storing, and extracting employer-reported information on new employee hires as mandated by federal law, with the primary goal of increasing child support collections by identifying wages of noncustodial parents who may be eligible for wage withholding. The vendor processes all new hire reports for Maryland employers and transmits the information to CSA to be uploaded to CSES. The original contract term was for a three-year period beginning November 2013 and contained two one-year renewal options. As of December 2016, the estimated total contract value was approximately \$1.2 million.

The registry includes sensitive PII for employees such as name, address, date of birth, and social security number. The contract required the vendor to ensure proper security for the registry, including the implementation of firewalls, the use of encryption, and the logging of changes to network devices, as well as to maintain the confidentiality of information, to implement authorization controls, and to develop a disaster recovery plan. However, there was no requirement in the contract for these security measures to be independently verified or assessed. After our inquiry, CSA provided us with certain vendor-provided assertions regarding the security measures it had taken in the form of two one-page letters (one of which was undated); however, the information provided by the vendor was general in nature and CSA had taken no documented action to verify the vendor's assertions and to ensure the security measures in place were sufficient. While the number of employee records processed was not readily available, for the five months of invoices which we reviewed (dating between June 2016 and March 2017), the vendor was paid approximately \$141,000 for processing 546,000 records.

PII is commonly associated with identity theft. Accordingly, appropriate information system security controls need to exist to ensure that PII is safeguarded and not improperly disclosed. The State of Maryland *Information*

Security Policy requires that agencies protect confidential data using encryption technologies and/or other substantial mitigating controls and the vendor is required to adhere to the *Policy*.

One option to obtain comprehensive and independent assurance of the safeguarding of data by service organizations is a System and Organization Controls (SOC) report issued by an independent auditor, which is the subject of guidance from the American Institute of Certified Public Accountants. One type of report, referred to as a SOC 2 Type 2 report, includes the results of the auditor's review of controls placed in operation and tests of operating effectiveness for the period under review and could include an evaluation of system security, availability, processing integrity, confidentiality, and/or privacy. In addition, subsequent to the awarding of the original contract, the Department of Budget and Management has advocated for a SOC review for certain contracts and now requires, through the use of a standard Request for Proposals template, certain contracts to include a clause requiring a SOC review (SOC 2 Type 2).

Recommendation 4

We recommend that

- a. CSA ensure that the vendor is properly complying with the contract's system security requirements and, specifically, that all PII maintained on the vendor registry is adequately protected; and**
- b. future contracts for the new hire registry include, as appropriate, a requirement for the vendor to obtain periodic SOC 2 Type 2 reviews, and that CSA obtain and review the resulting reports to ensure that sensitive worker data maintained by the vendor is properly safeguarded.**

Monitoring of Interagency Agreement

Finding 5

CSA did not properly monitor its interagency agreement with a State university for compliance with the agreement terms and did not ensure required services were provided. Payments related to the agreement totaled \$5.7 million.

Analysis

CSA did not properly monitor its interagency agreement with a State university, including the development of an application by the university, and did not ensure that the university complied with the agreement terms and provided the required deliverables and services. CSA entered into an agreement with a university for local area network (LAN) services, which included LAN management,

application development and maintenance, onsite training, reporting, and periodic meetings. The agreement included specific monthly deliverables and details of the key personnel to be provided by the university. The agreement was for a five-year term from July 1, 2013 through June 30, 2018 for approximately \$5.6 million and, as of June 2018, the agreement was valued at \$6.1 million, including two change orders. From inception through October 3, 2018, total payments were \$5.7 million.

Our review found that required deliverables were not always provided, and payments were made on a cost reimbursable basis as reflected on monthly invoices, which did not provide any details on the actual services provided during the month. For example, rather than obtaining the required monthly progress reports to provide overviews of the activities of all related personnel and deliverables, CSA advised us that it relied on periodic verbal communication with the university staff to obtain information on the services performed and its progress on application development and other tasks. Some limited progress reports were provided during the audit period, but these reports were general in nature and sporadic. For example, the only status report available for the application development services covered the period from April 2014 through June 2014. Furthermore, there was no documentation to support that formal monthly monitoring meetings between the university and CSA staff were conducted, as required by the agreement.

In addition, CSA was not able to document that onsite training from the university had occurred. The agreement funded a trainer to administer training programs to CSA personnel and to expand its current training program to include an online training portfolio, and to provide regional face-to-face training throughout the year.

We also found that the university developed a new “dashboard” application to assist CSA staff in monitoring child support activity by interacting with CSES, and prompts employees to take required actions on cases. However it was developed without establishing project specifications or related deliverables and consequently, there was a lack of formal CSA monitoring during the development of the dashboard. Although according to CSA, the “dashboard” appeared to be successfully developed, we were advised that it was developed based on a methodology that relied on verbal agreements and discussions between the various parties. In our opinion, key decisions and events in the process should be documented for the record, to prevent misunderstandings and to fix responsibility. In addition to the lack of documentation of formal CSA monitoring of the project’s development, there was also no documentation of how the university ensured that the application included adequate measures for system security,

business continuity, and disaster recovery in accordance with the State of Maryland *Information Security Policy*, which governs such applications.

Finally, the agreement was silent with respect to the ownership of the “dashboard” application, which was a point of dispute between CSA and the university during our audit period. While CSA entered into a new agreement with the university for a continuation of the same services, effective July 1, 2018, the ownership of the application was not resolved.

Interagency agreements are used by State agencies to obtain services from State institutions of higher education (State universities). Interagency agreements are exempt from State procurement laws, including the requirements for competitive procurement, publication of solicitations and awards, and Board of Public Works’ approval. After our fieldwork, in accordance with State law, the Department of Budget and Management began a review of this agreement to determine whether the arrangement was appropriate and whether it would be in the best interest of the State to attempt to competitively procure these services going forward.

Recommendation 5

We recommend that CSA

- a. ensure that all required contract deliverables are provided before approval of payments;**
- b. adequately document receipt of all requirements and deliverables under the aforementioned agreement, including those for the application development function;**
- c. ensure that, as applicable, information technology work performed under interagency agreements complies with the State *Information Security Policy*; and**
- d. in consultation with legal counsel, resolve the dispute over ownership of the “dashboard” application.**

Bank Accounts

Finding 6

Controls were inadequate over CSA's checking account that was used to process certain refund payments, and outstanding checks were not forwarded to the Comptroller of Maryland as abandoned property when required.

Analysis

Sufficient controls were not established over disbursements from CSA's checking account as one employee was given incompatible capabilities. The account was generally used to process refund payments to individuals or entities which did not have an account in CSES, such as to employers for misdirected wage withholdings. According to its records, CSA processed disbursements from this checking account totaling approximately \$219,000 during the six-month period ending April 2017. Specifically, one CSA employee maintained control over the blank check stock, had administrative rights over the automated system used to process the disbursements, was one of two authorized check signers (dual signatures required on checks), and was responsible for approving the monthly bank reconciliation of the account. With administrative rights, this employee could print checks and record or delete transactions. In addition, this employee was one of the two authorized signers for wire transfers from the main child support disbursement account to all of the other CSA bank accounts, including this checking account.

We also noted that 625 outstanding checks totaling \$170,000 that were issued during the years between 2003 and 2014 remained uncashed for more than three years as of March 2018, but had not been voided and forwarded to the Comptroller of Maryland as abandoned property, as required by State regulations.

Recommendation 6

We recommend that CSA ensure that

- a. authorized check signers do not have access to check stock or the ability to process checks on the automated system;**
- b. administrative rights are assigned to an employee who has no checking account responsibilities; and**
- c. checks that remain outstanding for longer than three years are voided and the associated funds are forwarded to the Comptroller of Maryland as abandoned property, as required.**

We advised CSA on accomplishing the necessary separation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Child Support Administration (CSA) for the period beginning May 5, 2014 and ending July 17, 2017. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CSA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included enforcement procedures (for example, occupational and driver's license suspensions and wage withholding), access and controls over CSA's Child Support Enforcement System (CSES), monitoring of local child support offices, and contracts. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include various support services provided to CSA by DHS. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of DHS' Office of the Secretary and Related Units. Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of CSA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including CSA.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of CSA's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during the audit. We also extracted data from CSES for the purpose of testing various enforcement efforts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

CSA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CSA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to CSA that did not warrant inclusion in this report.

The response from DHS, on behalf of CSA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 21224 of the Annotated Code of Maryland, we will advise DHS regarding the results of our review of its response.

APPENDIX



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

April 26, 2019

Mr. Gregory A. Hook
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Mr. Hook,

Please find enclosed the Department of Human Services' (DHS) response to the draft Legislative Audit Report of the Department of Human Services – Child Support Administration for the period beginning May 5, 2014 and ending July 17, 2017.

If you have any questions regarding the responses, please contact Inspector General Kevin Carson at 443-378-4060 or at kevin.carson@maryland.gov.

Sincerely,


Lourdes R. Padilla
Secretary

Enclosures:

cc:

Gregory James, Deputy Secretary, Operations
Randi Walters, Deputy Secretary, Programs
David Lee, Assistant Deputy Secretary, Programs
Craig Eichler, Chief of Staff
Kevin J. Carson, Inspector General, OIG
Kevin P. Guistwite, Executive Director, CSA
Samantha Blizzard, Special Assistant, Office of the Secretary



Driver's License Suspension Program

Finding 1

Controls over driver's license reinstatements were inadequate to ensure their propriety.

Recommendation 1

We recommend that CSA ensure that local offices take appropriate action, such as by requiring the use of the monthly reinstatement report, to ensure, at least on a test basis, that driver's license reinstatements are proper and have been subject to supervisory review and approval as required.

The Department's Response: The Child Support Administration agrees with the finding.

The Child Support Administration (CSA) agrees with the recommendation. The CSA will schedule training beginning June 2019 for all CSA workers and supervisors to ensure adherence to the policy requiring supervisory approval prior to reinstatement of a suspended driver's license, and documentation of this action in the Case Action Log (CAL) within the Child Support Enforcement System (CSES) or subsequent system as currently being designed by the Maryland Total Human-Services Integrated Network (MD THINK) Project.

There is no existing monthly reinstatement report, contrary to what is stated in the analysis and recommendation. The report of driver's license reinstatements provided during the audit is not a standard monthly report and would be prohibitively expensive to produce on a monthly basis. The report provided to the auditors was a one-time, ad-hoc report developed at their request to assist in the audit.

Auditor's Comment: CSA's response indicates that the report of driver's license reinstatements would be too expensive to regularly produce. However, as noted in the finding, without an automated report of all recorded reinstatements in CSES, it would not be possible to ensure that all driver's license reinstatements were subject to the required supervisory review.

Nevertheless, the CSA Office of Internal Audit and Quality Assurance will periodically, on a test basis, monitor local office adherence to the aforementioned process and request corrective actions for non-compliance, when required. CSA will also explore the possibility of producing a reinstatement report in the future as MD THINK is developed and implemented.

Child Support Account Adjustments

Finding 2

CSA could not always provide evidence of supervisory reviews of child support account adjustments by independent personnel.

Recommendation 2

We recommend that CSA ensure that account adjustments are subject to a documented monthly review by an independent supervisor on a test basis, as required.

The Department's Response: The Child Support Administration agrees with the finding.

The Child Support Administration (CSA) agrees with the recommendation. CSA and local office management collaborated in the development and implementation of a standard process for child support account adjustments and supervisory review at the local office level.

In addition, CSA's Office of Internal Audit and Quality Assurance will periodically, on a test basis, monitor local office adherence to the aforementioned process and request corrective actions for non-compliance, when required.

Of the \$15 million in child support account adjustments processed, there were no instances of erroneous, fraudulent, or inappropriate transactions detected during the audit.

Auditor's Comment: CSA's response indicates that there were no instances of erroneous, fraudulent, or inappropriate transactions detected during the audit with respect to the \$15 million in child support account adjustments. It is important to clarify that the propriety of all \$15 million in adjustments is actually unknown, as the audit was not intended to nor did it include a review of the entire population of these adjustments. Our recommendation, if implemented, will provide necessary safeguards over the processing of adjustments to help ensure their propriety.

Child Support Enforcement System Access

Finding 3

CSA did not ensure that central and local office personnel conducted periodic reviews of employee access to CSES, as required and we noted that critical access had been unnecessarily granted to certain employees.

Recommendation 3

We recommend that CSA

- a. comply with the aforementioned DHS *Handbook* and ensure that each employee's access to CSES is reviewed annually and that the reviews are documented; and
- b. remove any unnecessary CSES access, including those noted above.

The Department's Response: The Child Support Administration agrees with the finding.

- a. The Child Support Administration (CSA) agrees with Recommendation A. A periodic review of access levels will be conducted and documented during annual employee performance reviews (June and December) beginning June 2019.
- b. CSA agrees with Recommendation B. CSA has already adjusted access to reflect current job functions for the fifteen (15) individuals identified during the audit who had unwarranted access to specific attributes of the Child Support Enforcement System (CSES). In addition, CSA will remove any unnecessary CSES access discovered as a result of the periodic reviews.

New Hire Registry Contract Security Requirements

Finding 4

CSA did not ensure that the vendor responsible for administering the State's new hire registry complied with the contract's system security requirements and safeguarded sensitive personally identifiable information on Maryland workers.

Recommendation 4

We recommend that

- a. CSA ensure that the vendor is properly complying with the contract's system security requirements and, specifically, that all PII maintained on the vendor registry is adequately protected; and**
- b. future contracts for the new hire registry include, as appropriate, a requirement for the vendor to obtain periodic SOC 2 Type 2 reviews, and that CSA obtain and review the resulting reports to ensure that sensitive worker data maintained by the vendor is properly safeguarded.**

The Department's Response: The Child Support Administration agrees with the finding.

- a. The Child Support Administration (CSA) agrees with Recommendation A. The contract with the current new hire registry vendor will expire in September 2019, and CSA is preparing a new request for proposal (RFP) for this service. Specific measures will be implemented to protect sensitive personally identifiable information (PII) of Maryland employees.
- b. CSA agrees with Recommendation B. The new RFP will require periodic SOC 2 Type 2 reviews, and CSA will obtain and review reports to ensure that any sensitive PII maintained by the vendor is properly safeguarded.

Monitoring of Interagency Agreement

Finding 5

CSA did not properly monitor its interagency agreement with a State university for compliance with the agreement terms and did not ensure required services were provided. Payments related to the agreement totaled \$5.7 million.

Recommendation 5

We recommend that CSA

- a. ensure that all required contract deliverables are provided before approval of payments;**
- b. adequately document receipt of all requirements and deliverables under the aforementioned agreement, including those for the application development function;**
- c. ensure that, as applicable, information technology work performed under interagency agreements complies with the State *Information Security Policy*; and**
- d. in consultation with legal counsel, resolve the dispute over ownership of the “dashboard” application.**

The Department’s Response: The Child Support Administration agrees with the finding. It should be noted that, while monitoring and documentation of receipt of deliverables will be improved, the required services pursuant to this interagency agreement were in fact provided.

- a. The Child Support Administration (CSA) agrees with Recommendation A. CSA will ensure on a monthly basis that a report on LAN activities is received prior to payment of invoices. Additionally, all periodic meetings with the State University will be documented.
- b. CSA agrees with Recommendation B. CSA will continue to use an agile methodology. CSA will, however, immediately improve the documenting and monitoring of application development to ensure that requirements and deliverables are documented on a monthly basis.
- c. CSA agrees with Recommendation C. The portion of the contract involving information technology (IT) work will be integrated into the new child support system currently being developed by MD THINK, thereby ensuring the IT work is developed in compliance with State’s *Information Security Policy*.
- d. CSA agrees with Recommendation D. The agreement between CSA and the university which covers the “dashboard” is silent with regards to ownership. CSA will continue to work with the Office of the Attorney General (OAG) and the university attorneys to resolve the dispute over ownership.

Bank Accounts

Finding 6

Controls were inadequate over CSA's checking account that was used to process certain refund payments, and outstanding checks were not forwarded to the Comptroller of Maryland as abandoned property when required.

Recommendation 6

We recommend that CSA ensure that

- a. authorized check signers do not have access to check stock or the ability to process checks on the automated system;**
- b. administrative rights are assigned to an employee who has no checking account responsibilities; and**
- c. checks that remain outstanding for longer than three years are voided and the associated funds are forwarded to the Comptroller of Maryland as abandoned property, as required.**

We advised CSA on accomplishing the necessary separation of duties using existing personnel.

The Department's Response: The Child Support Administration agrees with the finding.

- a. The Child Support Administration (CSA) agrees with Recommendation A. CSA ensured that adequate separation of duties was completed during the beginning of the audit in Fall 2017 to mitigate the risk of fraud or misappropriation of assets. Additionally, dual signatures are required for all disbursements and all source documentation is reviewed and approved by CSA's senior management.
- b. CSA agrees with Recommendation B. To strengthen the controls and further mitigate the risk of fraud or misappropriation of assets, the individual with administrative privileges is not a signatory relative to the bank account.
- c. CSA agrees with Recommendation C. Regarding the outstanding checks, since the aforementioned checks are outside of the annual automated abandoned property process, CSA is in the process of the development and implementation of a manual process to be completed by or before October 2019. This process will ensure outstanding checks are forwarded to the Comptroller of Maryland as abandoned property when required.

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